International Seabed Authority ISBA/21/FC/4/Rev.2

Finance Committee

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Status of implementation of the decision of the Assembly of the International Seabed Authority relating to annual overhead charges for contracts for exploration

Report of the Secretary-General

1. By its decision of 25 July 2013, the Assembly of the International Seabed Authority established an annual overhead charge of $47,000 to cover the costs incurred by the Authority in administering and supervising contracts for exploration (ISBA/19/A/12). The charge is due to be paid by each contractor by 31 March each year. The decision is to be implemented through the addition of two new clauses (sects. 10.5 and 10.6) to the standard clauses for such contracts. Special provisions were made regarding the effect of the decision with regard to existing contracts and applications received before 25 July 2013, the date when the decision entered into effect.

2. Standard clauses 10.5 and 10.6 apply automatically to any contract entered into as a result of an application for approval of a plan of work for exploration submitted after 25 July 2013. As at 1 July 2015, four such applications had been received. Three of those were approved in July 2014 and one will be considered by the Council of the Authority in July 2015.

3. With regard to the 14 exploration contracts that had been entered into before 25 July 2013, the Assembly requested the Secretary-General to consult each contractor with a view to renegotiating the contracts, in accordance with section 24.2 of the standard clauses, in order to incorporate clauses 10.5 and 10.6. As at 1 July 2015, 10 contractors had accepted clauses 10.5 and 10.6 and either paid the overhead charges or agreed to start payment in 2016, while consultations were ongoing with respect to the remaining four existing contracts.[1]

4. With regard to the nine applications for approval of a plan of work that had been submitted before 25 July 2013, the Assembly requested the Secretary-General

[1] Yuzhmorgeologiya (polymetallic nodules), Institut français de recherche pour l'exploitation de la mer (polymetallic nodules), the Government of India (polymetallic nodules) and the Government of the Russian Federation (polymetallic sulphides).

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to consult the applicants before signing the contracts for exploration, with a view to incorporating clauses 10.5 and 10.6. As at 1 July 2015, seven approved applications had been turned into contracts incorporating clauses 10.5 and 10.6, while two contracts had yet to be signed (with UK Seabed Resources Ltd. and the Government of India).

5. In 2014, the total miscellaneous income received from annual overhead charges was $141,000. In 2015, the amount increased to $470,000. For 2016, assuming that all outstanding approved applications are concluded in the form of contracts before the end of 2015 and that all related annual reports are submitted in 2016, the anticipated income is $1,034,000. This amount may increase by up to $188,000 if the Secretary-General is able to reach agreement with regard to the remaining four existing contracts for the payment of the overhead charges in 2016. A summary of actual and anticipated income from annual overhead charges from 2014 to 2016, as at 1 July 2015, is shown in the annex to the present report.

6. The Finance Committee is invited to take note of the information contained herein.

Annex

Status of overhead charge payments (2014-2016) as at 1 July 2015

Contractor	*Date of contract*	*Index number of contract*	*Payment made (United States dollars)*		*Anticipated payment (United States dollars)*
			2014	*2015*	*2016*
1. Yuzhmorgeologiya[a]	29 March 2001	PMN/01.3/2001/RUS[b]	–	–	–
2. Interoceanmetal Joint Organization	29 March 2001	PMN/02.3/2001/IOM[b]	–	–	47 000
3. Government of the Republic of Korea	27 April 2001	PMN/03.3/2001/KOR[b]	–	47 000	47 000
4. China Ocean Mineral Resources Research and Development Association	22 May 2001	PMN/04.3/2001/CHN[b]	–	–	47 000
5. Deep Ocean Resources Development Co. Ltd.	20 June 2001	PMN/05.3/2001/JPN[b]	47 000	47 000	47 000
6. Institut français de recherche pour l'exploitation de la mer[a]	20 June 2001	PMN/06.3/2001/FRA[b]	–	–	–
7. Government of India[a]	25 March 2002	PMN/07.3/2002/IND[b]	–	47 000	–
8. Federal Institute for Geosciences and Natural Resources of Germany	19 July 2006	PMN/08.3/2006/DEU	–	47 000	47 000
9. Nauru Ocean Resources Inc.	22 July 2011	PMN/09.3/2011/NRU	–	–	47 000
10. China Ocean Mineral Resources Research and Development Association	18 November 2011	PMS/01.3/2011/CHN	–	–	47 000
11. Tonga Offshore Mining Limited	11 January 2012	PMN/10.3/2012/TON	47 000	47 000	47 000
12. Government of the Russian Federation[a]	29 October 2012	PMS/02.3/2012/RUS	–	–	–
13. Global Sea Mineral Resources NV	14 January 2013	PMN/11.3/2013/BEL	–	47 000	47 000
14. UK Seabed Resources Ltd.	8 February 2013	PMN/12.3/2013/GBR	47 000	47 000	47 000
15. Japan Oil, Gas and Metals National Corporation	27 January 2014	CFC/01.3/2014/JPN	–	47 000	47 000
16. China Ocean Mineral Resources Research and Development Association	29 April 2014	CFC/03.3/2014/CHN	–	47 000	47 000
17. Government of the Republic of Korea	24 June 2014	PMS/03.3/2014/KOR	–	47 000	47 000
18. Institut français de recherche pour l'exploitation de la mer	18 November 2014	PMS/04.3/2014/FRA	–	–	47 000
19. Marawa Research and Exploitation Ltd.	19 January 2015	PMN/13.3/2015/KIR	–	–	47 000
20. Ocean Mineral Singapore Pte Ltd.	22 January 2015	PMN/14.3/2015/SGP	–	–	47 000
21. Government of the Russian Federation	10 March 2015	CFC/03.3/2015/RUS	–	–	47 000
22. Federal Institute for Geosciences and Natural Resources of Germany	6 May 2015	PMS/05.3/2015/DEU	–	–	47 000
23. UK Seabed Resources Ltd.	Under negotiation	–	–	–	47 000[c]
24. Government of India	Under negotiation	–	–	–	47 000[c]

Contractor	*Date of contract*	*Index number of contract*	*Payment made (United States dollars)*		*Anticipated payment (United States dollars)*
			2014	*2015*	*2016*
25. Cook Islands Investment Corporation	Under negotiation	–	–	–	47 000[c]
26. Companhia de Pesquisa de Recursos Minerais S.A.	Under negotiation	–	–	–	47 000[c]
Total payments allocated to miscellaneous income			**141 000**	**470 000**	**1 034 000**

[a] The contractor has not yet agreed to incorporate clauses 10.5 and 10.6 into its existing contract.
[b] The contract will expire in 2016.
[c] The amount will be available if the contract is concluded before the end of 2015 and the related annual report is submitted in 2016.